



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

March 10, 1999

Lee Pat Gochnour
Gochnour & Associates
5231 South Quebec
Greenwood Village, Colorado 80111

Re: Conditional Approval of Request for Reduction in Reclamation Surety, Summo USA Corp./Lisbon Valley Copper LLC, Lisbon Valley Project, M/037/088 (UTU-72499), San Juan County, Utah

Dear Mr. Gochnour:

The Division has reviewed Summo's Request for Reduction in Reclamation Surety received January 19, 1999. Summo wishes to reduce the amount of surety currently posted for the proposed large mine operation to an amount sufficient to cover reclamation costs for the surface disturbances created during exploration drilling and installation of monitoring wells. Because the reclamation surety jointly lists other agencies, the Division has contacted the BLM Moab Field Office and the School and Institutional Trust Lands Administration (SITLA) regarding their acceptance of the proposed surety reduction. The Division received a letter from SITLA dated March 4, 1999, indicating their acceptance of Summo's proposed surety reduction.

A February 26, 1999 BLM letter to the Division outlines concerns raised during a February 18, 1999 inspection of the project area by the BLM. Specifically, an additional 1.53 acres of drill pad surface disturbance and an increase in access road width were noted. The BLM letter approves of the proposed surety reduction subject to the following two stipulations:

1. Requires Summo's agreement to post the appropriate reclamation surety to cover the additional land disturbances identified by the BLM (this is included in the new figures).
2. States that Summo is not authorized to engage in additional exploration or mining related operations until the appropriate additional reclamation surety is posted to cover such future land disturbances.

Page 2
Lee Pat Gochnour
M/037/088
March 10, 1999

The Division has calculated the surety amount needed for the additional 1.53 acres using the same unit costs contained in Summo's proposal. The costs for scarifying and seeding this additional area have been added to the reclamation cost subtotal proposed by Summo (see attached calculation sheet). The adjusted surety amount to cover reclamation costs for the current surface disturbances under the Lisbon Valley Project is estimated as \$69,900. The Moab BLM office has informed us this adjusted amount is acceptable.

With the agreement of all three parties currently listed on the joint surety bond, and on behalf of the BLM and SITLA, **the Division hereby authorizes Summo USA Corporation/Lisbon Valley Copper Company LLC to make the necessary changes to reduce the current surety bond amount from \$2,689,000 to a new amount of \$69,900.** This change in surety amount may be accomplished by issuance of a rider to the existing surety, or by posting an entirely new form of reclamation surety. If a new surety form is to be posted, the existing surety will need to remain in place until the new surety receives approval from the Division, BLM and SITLA. If the operator decides to post a new surety form, please contact our office immediately so we can forward the appropriate joint agency surety forms and the accompanying reclamation contract form.

By acceptance of this reduced surety, the Division and other agencies will require Summo to post an additional amount of surety prior to creating any additional surface disturbance under the approved mining and reclamation plan. As you know, the additional surety amount and form of surety will need to be adequate and acceptable to the three agencies involved.

If you have any questions regarding this acceptance of reduced surety, please contact Wayne Hedberg at (801)538-5286 or Tony Gallegos at (801)538-5267.

Sincerely,



Lowell P. Braxton
Division Director

jb
Attachment: Division surety estimate adjustment 3/8/99
cc: Robert Prescott, Summo USA Corporation
Lynn Jackson, BLM Moab Field Office
Will Stokes, SITLA
m37-88rd.sur

RECLAMATION SURETY ESTIMATE**Summo USA Corporation & Lisbon Valley Mining Company LLC****Lisbon Valley Project**

last revision

03/08/99**M/037/088 (UTU-72499)****San Juan County**

filename: m37-88bl.wb2

Prepared by Utah State Division of Oil, Gas & Mining*-This estimate calculates the reclamation costs for the additional area identified by the BLM 2/26/99 letter**-This estimate uses the same unit costs as in the 1/15/99 surety reduction proposal by Summo**This estimate adjusts Summo's proposed estimate by increasing road width & adding other pads & roads**-The escalation factor used in Summo's 1997 reclamation estimate was 2.58%**-The current escalation factor used by the Division is 2.24%*

	area	units	conversion	
convert square feet to acre	66,600	SF	43,560	1.53 acre
convert square feet to square yards	66,600	SF	9.00	7,400 SY
adjust road acreage(increase width by 4 ft)	11,375	LF	4	1.04 acre
convert road area to square yards	45,500	SF	9.00	5,056 SY

<u>Activity</u>	<u>Quantity</u>	<u>Units</u>	<u>\$/unit</u>	<u>\$</u>
scarifying - additional pads & road	7,400	SY	0.20	1,480
scarifying - increased road width area	5,056	SY	0.20	1,011
seeding - additional pads & road	1.53	acre	174	266
seeding - increased road width road area	1.04	acre	174	182
subtotal for reclamation of additional area				2,939
previous subtotal reclamation costs proposed by Summo				53,948
adjusted subtotal				56,887
add 10% contingency				5,689
adjusted subtotal (base amount)				62,576
Escalate for 5 years at 2.24% per yr				7,330
Total				\$69,905
Rounded surety amount in yr 2004-\$				\$69,900